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THE DIRECTOR OF  
PSYCHOLOGICAL STRATEGY BOARD  
WASHINGTON 25, D. C.

PSYCHOLOGICAL STRATEGY BOARD

WASHINGTON

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April 23, 1952

NOTED IN  
DCI LOG

MEMORANDUM FOR: General Walter B. Smith  
Director of Central Intelligence

SUBJECT: Panel on Psychological Aspects of  
East-West Trade

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At a PSB luncheon meeting in December, Gordon Gray discussed with the Board members the psychological problems arising out of Soviet strategy in East-West trade. The Board members agreed that it was appropriate for PSB to establish a panel to consider means to make ineffectual East-West trade propaganda in the Soviet Peace Campaign and to nullify in advance actions which might emerge from the Moscow Economic Conference.

The PSB staff prepared a draft plan which recommended an organized, concerted, and well-publicized offer by the Western European Governments to the captive Eastern European Governments of a specific list of non-strategic consumer goods and textile and agricultural machinery which the captive Eastern European people are known to want.

Since Mr. Harriman is responsible for the administration of the Battle Act which is concerned with strategic export controls to the Soviet Bloc, the PSB staff, prior to forming a panel, arranged with him to obtain the advice of his Mutual Trade Security Advisory Committee under the Chairmanship of Admiral Marcy Dupre. The Advisory Committee established an ad hoc committee under the chairmanship of the Department of Commerce representative to prepare a list of those non-strategic commodities known to be in short supply in Eastern Europe which are available in Western Europe and which are subject to no security export controls. The study resulted in a list of approximately 400 non-strategic commodities in the consumer goods, light textile and farm equipment category, valued at between \$300 and \$400 million which could be offered to Eastern Europe to increase peaceful trade, if in fact Soviet policy would permit the captive Eastern European Governments to import such non-strategic goods.

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At this point, a PSB panel was formed to consider the proposal developed by the PSB staff and to appraise the list of goods to be included in the counter trade offer. After two meetings of the panel, it was apparent that there was not full agreement among the various agencies. Considerable emphasis was placed on the domestic political difficulties inherent in a psychological counter-attack in the East-West trade field. The Battle Act, and before that the Kem Amendment, indicated a strong Congressional sentiment in opposition to any strategic East-West trade, and there has always been considerable controversy as to where the line between strategic and non-strategic goods should be drawn. Some Congressmen have maintained that during the Korean conflict any trade with the Soviet Bloc, since it is supporting Communist China, is tantamount to trading with the enemy. The State Department felt that its negotiating position with other governments on behalf of our security control program might be prejudiced if on the one hand we were pushing for greater security controls over strategic goods and on the other hand we were advocating a propaganda counter-attack in the area of non-strategic trade, based particularly on the above sentiment emphasizing the difficulty of making any practical distinction between kinds of goods.

In an effort to obtain further guidance, the State Department agreed to send a telegram to some of the Embassies both in Eastern and Western Europe, stating their opposition to the PSB staff plan, but at the same time outlining the plan and asking for Embassy comment. The Embassies' comments generally opposed utilization of the PSB staff plan as a response to the Moscow Economic Conference, but most of the Embassies supported the idea of the plan and stressed the need for developing some program to counter Soviet psychological action in the East-West trade field. Moscow, London and Paris all emphasized the need for extensive publicity of the areas of trade left open under current Western policies and agreed that it was desirable to reiterate past and present readiness of the West to engage in peaceful trade with the East which could involve hundreds of millions of dollars worth of goods and hold back only goods useful to the Soviet war machine. As a result of the cables from the various United States Embassies, it was decided not to use the PSB staff plan to counter the Moscow Economic Conference.

The Conference has now been held and there are indications that East-West trade is now considered a major weapon in Soviet psychological strategy. Some observers believe that the speech at the Conference made by N. V. Nesterov, President of the USSR Chamber of Commerce, indicated an important shift in Soviet policy, which in the past has always stressed self-sufficiency and relative economic isolation from the rest of the world.

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PSB is still faced with the problem of whether or not any positive action can be taken against Soviet psychological strategy in the trade field. As a result of an informal poll of the panel members, it appears that some members feel rather strongly that the panel should be continued and should be advised to explore every possible means of taking offensive action. On the other hand, the Department of State representatives feel that there is not much possible positive psychological activity in this field which would be consistent and compatible with our trade security negotiations. For this and other reasons, the State Department would be willing to have the panel disbanded.

The PSB staff feels that despite the difficulties inherent in this problem, it would be desirable to keep the panel in existence at least to make a thorough study of the impact of Soviet strategy in the trade field and an inventory of all possible counter measures, particularly in the covert area. Mr. Harriman's representative has recommended that consideration should be given to the desirability of the United States adopting a bona fide trade policy which calls for the promotion of East-West trade in non-strategic items. Since this view is supported by the comments of several of the United States Embassies, it would appear to be valuable for the panel to consider measures to carry out this recommendation.

✓ The Director asked me to say that he would appreciate your comments and advice on this matter at the Thursday luncheon this week.

C. Tracy Barnes  
Acting Director

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